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May 18, 1994

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IN REPLY REFER TO:

JUN 17 1994

FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF SECRETARY

Honorable David Price  
U.S. House of Representatives  
2458 Rayburn House Office Building  
Washington, D.C. 20515

Dear Congressman Price:

This is in reply to your letter of April 15, 1994, on behalf of your constituent Peter Cabaniss. Mr. Cabaniss submitted a proposal regarding the role of small businesses, businesses owned by minority groups and women, and rural telephone companies, entities identified by the Congress as requiring special consideration by the Commission ("designated entities"), in the Commission's upcoming personal communications services (PCS) auctions. Your letter was referred to me as Chief of the Personal Communications Systems Task Force for the Commission.

On March 8, 1994, the Commission adopted a Second Report and Order in Docket No. 93-253. Although the Commission did not adopt Mr. Cabaniss' proposal, it did not prohibit legitimate partnerships with designated entities. Rather, that proceeding established a general menu of tools designed to assist those designated entities to participate in the auction process on their own. The Commission, for example, adopted bidding credits and installment payments, which will reduce the amount of private financing required by small business applicants.

We are confident that the measures the Commission has adopted will help enable rural telephone companies in Texas to participate in the personal communications services marketplace and deliver PCS to their customers. The Commission shares your commitment to the provision of equal and universal access of communications services to all Americans no matter where they live.

Sincerely,



Ralph A. Haller  
Chief, PCS Task Force

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DAVID PRICE  
4TH DISTRICT  
NORTH CAROLINA

COMMITTEE ON APPROPRIATIONS  
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CONGRESS OF THE UNITED STATES  
HOUSE OF REPRESENTATIVES  
WASHINGTON, D.C. 20515  
April 15, 1994

The Honorable Reed Hundt  
Chairman  
Federal Communications Commission  
1919 M Street, N.W. Room 802  
Washington, D.C. 20554

Dear Mr. Chairman:

A constituent of mine, Peter Cabaniss of Raleigh, has forwarded to me a proposal he has developed regarding the upcoming PCS auction and "designated entities."

I understand the FCC is still finalizing the auction regulations. I would appreciate your considering Mr. Cabaniss's proposal in determining the treatment of designated entities in the auction. I have enclosed a copy of Mr. Cabaniss's proposal.

Thank you for your attention to this matter.

Sincerely,

A handwritten signature in cursive script, appearing to read "David Price".

DAVID PRICE  
Member of Congress

DP:db

Enclosure

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# **Proposal On PCS (Personal Communications Services) Auction**



**'Designated Entities, an Inclusive Approach'**

**Peter M. Cabaniss**

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The Author of this presentation is: Peter M. Cabaniss

He has 10 yrs. experience in the Telecommunications Industry and is currently the International Product Manager for ISDN (Integrated Services Digital Network) a Software/Hardware Product deployed by an International Telephone Network Switching Vendor.

He holds a BS in Engineering and is currently pursuing a Master in Engineering w/ a concentration in Telecommunications Software Technology.

This presentation, is not a reflection of his employers views, but are the thoughts and issues raised from his own concerns.

**Author Contact:**

Peter M. Cabaniss  
210 Montibello Dr.  
Cary, NC 27513  
919-677-8637 (Home)  
919-992-3839 (Work)

**Note:**

The re-use of this chart package is encouraged in any activity that furthers the cause of opening the Personal Communications Service frequency allocation to Designated Entities in a far reaching inclusive approach.

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## **What is PCS?**

**PCS is the acronym for Personal Communications Service, this is a broad term used to describe the ability to use Wired and Wireless communication devices integrated together to allow the contact of a person instead of a place. PCS as an industry describes a low cost alternative to cellular w/ equivalent mobility.**

**The FCC is proposing the Auctioning of the Spectrum (Frequencies) that will govern the implementation of this new service. Once implemented, this service will allow low power telephone handsets to be used anywhere, in or out of buildings as well as in travel, air or ground. This new communication service is expected to be a multi-billion \$ dollar business and generate huge profits for the business owners. With this in mind the FCC has sought means of allowing access to this lucrative market for designated entities, (small business, rural telcos, women and minorities) .**

**This presentation will propose a means of achieving the above stated goals of the FCC.**



## • **Presentation Format**

- **The purpose has been stated**
- **Let's proceed to address the following subjects**

### » **Dilemma & Hurdles**

- **Historical financial blessing offered by this country**
- **Inclusiveness not part of major business thrust**
- **Always left standing when the action starts**
- **Capital, education, training and access**

### » **Alternative to Auction or 'Auction +'**

- **Proposal**
- **Business equation (example)**

### » **Benefits to Government and Designated Entities**

- **All inclusive**
- **Everyone can play**
- **Everyone wins**

### » **Conclusion**

- **Foundation established for the future**



- **Dilemma & Hurdles**

- **Historical Financial Blessing Offered in the USA**

- » **Land Grant and Homestead Acts of the 1800's**

- Designated entities were constrained from participating in this give away of the mid-western to western plains. Millions of Americans reap the benefits of their ancestors claims placed on land obtained in the acts mentioned above.
      - Tens of millions of Americans were not allowed to participate in this great financial blessing. Today their descendents still struggle to carve out a piece of the 'Great American Pie.'

- » **Gold Rush of 1849**

- Designated entities constrained from making or losing their way in the world, the vision was there for those who were willing. Tens of millions of Americans were willing to take risk to obtain financial freedom, however, lack of freedom of another sort held them back.

- » **Oil, Oil, Oil early 1900's**

- When the fertile fields of Oklahoma, Kansas and Texas exploded with oil, thousands rushed in and many of their families are household names today. Tens of millions of Americans were just beginning to explore the paths of freedom.

**PCS Spectrum Allocation is the Land Grant Act of the 20th Century**





- **Dilemma & Hurdles -- cont.**

- **Inclusiveness, not part of major business thrust**
  - » **As depicted in just a few examples out of hundreds, major business thrust that hold the promise of long lasting rewards are seldom if ever inclusive of the greater population.**
  - » **The founding fathers once stated that one of the roles of government is to: "... protect the populace from the monied interest.." Can this be said of our government today? Does the FCC, as an arm of the government, have a role to play in adhering to this founding belief?**
- **Always left standing, when the action starts**
  - » **Tens of millions of Americans never get a chance to get on board. They are always at the dock looking as someone elses ship comes in. They are always blamed for being excluded outside of the, 'Land Grant Acts of this Country.'**

**PCS Spectrum Allocation is the Land Grant Act of the 20th Century**



- **Dilemma & Hurdles -- cont.**
  - **Capital, Education, Training and Access**
    - » The 'Hurdles' stated above are seen as preclusions to the participation of all but a few of the Designated Entities into the PCS arena.
    - » The current proposed Auction processes are:
      - Oral Bidding
      - Sealed Bidding
      - Descending Bid Auctions (Dutch)
      - Sealed Second Bid Auctions (Vickery)
      - Combinatorial Bidding
      - Set-Asides in the following for Designated Entities:
        - C Block BTA (Basic Trading Area) (20 Mhz) 1880-1890 Mhz, 1960-1970 Mhz range
        - D Block BTA (10 Mhz) 2130-2135 Mhz, 2180-2185 Mhz range
    - » The deposit on bidding (\$.02/pop/Mhz), the cost of the infrastructure (est. \$100-200 million/BTA) and the resulting cost of the license for a successful bid, still leaves the majority of the Designated Entities standing on the dock.



- **Alternative to Auction or 'Auction +'**

- **Proposal:**

- » **All spectrum, for a set number of geographical areas, should be awarded to companies who present a totally inclusive partnership with members of the Designated Entities. Selection should be based on how far reaching the company's inclusive policies are and the percentage of the company's controlling interest owned by members of the Designated Entities. In any case a license could not be wholly owned by the company, but must be co-owned by a portion of those targeted in it's inclusive policy.**

- **Business Equation:**

- » **Company (A) + Designated Entities (B) = \$\$ Profits for A and B**  
**The \$\$ Millions Company A saves in the cost of a license is it's incentive to have a far reaching inclusive policy. The initial cost of implementing this policy is more then offset by the savings.**
    - » **The remaining spectrum for the majority of the country would be auctioned as currently proposed w/ the C & D Blocks held intact for Designated Entity Bidding only.**



- **Alternative to Auction or 'Auction +'**

- **Example:**

- » **If 30 geographical sites were selected for this process with an avg. population density of 300K. A typical area of the country that meets this criteria is Raleigh/Durham NC (home of Research Triangle Park).**
    - » **A winning company would be awarded exclusive spectrum use for this geographical area. In turn, the company would share ownership of the license with, and afford voting rights to, members of the Designated Entities.**
    - » **The winning company formulates a franchise agreement that provides a set number of franchises in the geographical area.**
      - **The franchise owners are members of the Designated Entities.**
      - **Two types of franchises are available :**
        - **A service franchise (call origination, processing, termination and air time billing)**
        - **A retail franchise (PCS consumer equipment sales and service ordering)**

**% of all employees in this geographical operation will be members of the Designated Entities**



- **Alternative to Auction or 'Auction +'**

- **Example – cont.**

- Large infrastructure equipment providers are awarded tax incentives for providing favorable terms to the company that operates in one of these geographical areas. This keeps the cost of build out low.
    - PCS consumer equipment providers are awarded tax incentives for providing favorable terms for the retailing of their equipment (handsets, PDA's, data devices etc. ).
    - Shares of stock are marketed to and a % set-aside for purchase by members of the Designated Entities.
    - Educational Seminars are sponsored by the winning company for local area college and high school students. An internship program is enacted for the same students.
    - An intensive Telecommunications Training program is designed for the franchise owners.
  - » ... and many more avenues of inclusivness would be designed by companies competing for the award of an exclusive PCS license in one of the selected geographical areas





## • Benefits to Government and Designated Entities

- All Inclusive

Company A (owned by a Designated Entity) receives exclusive PCS license for a geographical area

Formulates Franchise agreement for services and consumer equipment w/ Designated

Training in Telecommunications Management for Designated

IPG (Initial Public Offering) of stock with % for Designated

Job opportunities for local residents % for Designated

Seminars on Telecommunications taught in local schools

An upper middle class is enlarged by the Franchise opportunity generating a larger Tax Base

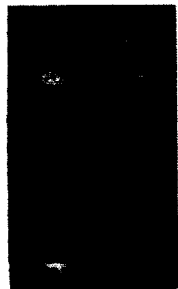
A new avenue to independence and wealth is created for thousands through local employment and the Tax Base is expanded further

New hopes and dreams are awakened to millions through the associated seminars and good will generated by the publicity of this ruling

• Deficit reduction is obtained in a more sustainable fashion, growing the Individual Tax Base with high income individuals and transference of individuals from dependence to independence via high tech service industry jobs and awakened dreams, as opposed to corporations that shelter the majority of their taxable income



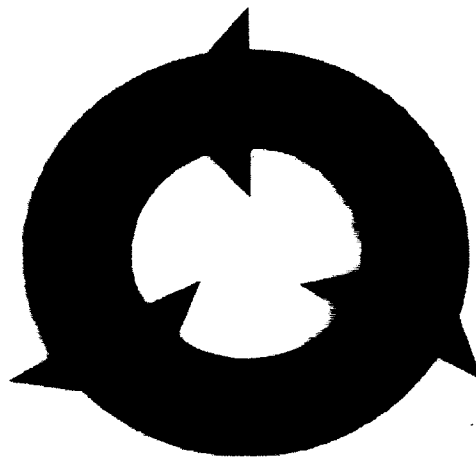
- **Benefits to Government and Designated Entities**
  - Everyone can play



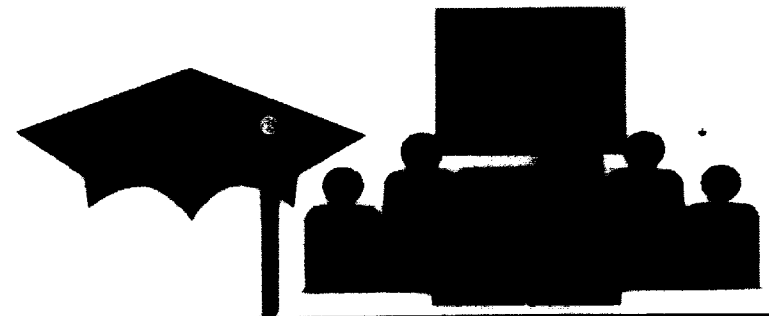
**Large Corporation gets allocation**



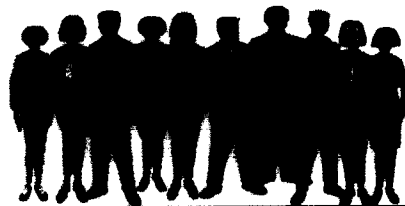
**Small Companies and Individuals share in license via franchise**



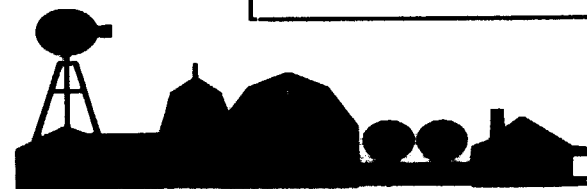
**Government Increased Tax Base**



**Local students introduced to growth industry**



**Local residents are afforded job and investment opportunities**

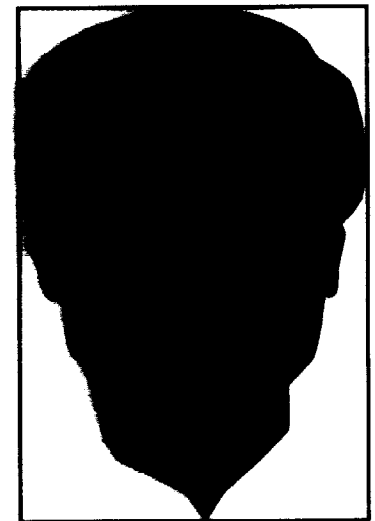
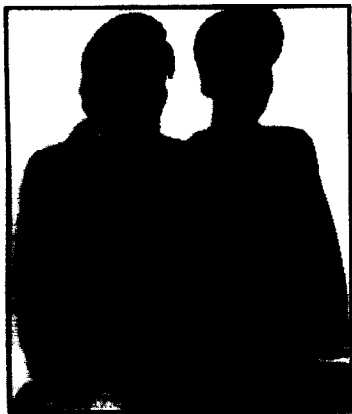




- **Benefits to Government and Designated Entities**
  - **Everyone wins**

**PCS Spectrum Allocation is the Land Grant Act of the 20th Century**

**Shouldn't Everyone Participate, This Time Around?**

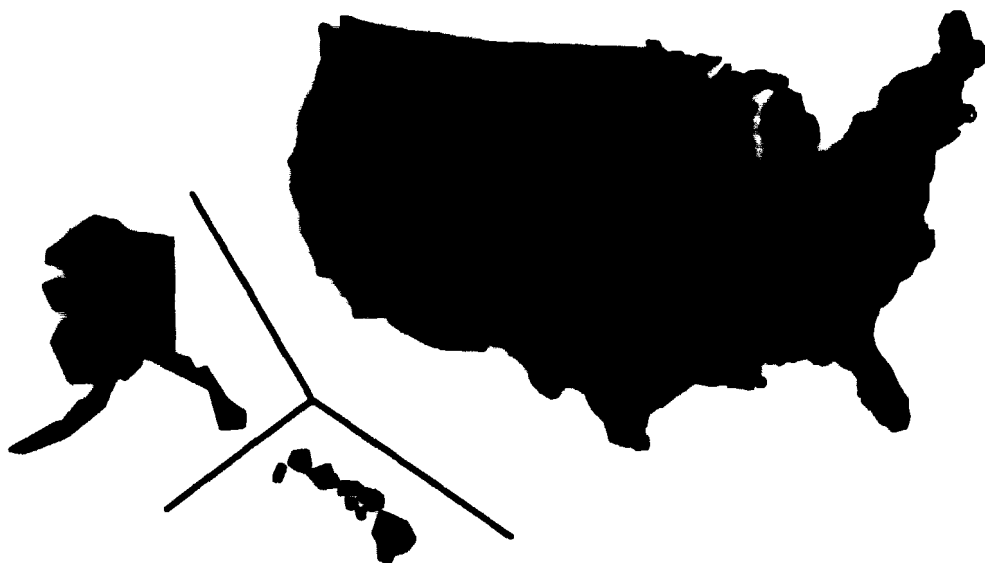






- **Conclusion**

- **Foundation established for the future**



**Very few people have the opportunity that is before the FCC at this time. Those who are commonly referred to as the disenfranchised can now truly become co-inheritors of this country. The chance is available to build an economic base for those who peer into the future but never hold it. PCS Spectrum allocation is clearly a means to heal some of the ills that are presently tearing us apart.**